

BUSINESS PLANNING**BUSINESS PLANS - KEY POINTS TO BE INCLUDED**
Paper 009-008
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BUSINESS PLANNING

BUSINESS PLANS - KEY POINTS TO BE INCLUDED


Paper 009-008


The following are the key points to be reviewed as part of the Business Plan Preparation Process.

1. Review Of Business

This section includes an historical review of the present operations of the business including:

- Type of business structure.
- Management structure.
- Summary of financial performance for the last five years including:
 - Details of Departmentalised Sales
 - Total Sales
 - Departmentalised Gross Profit
 - Total Gross Profit
 - Departmentalised Gross Profit Percentage
 - Total Gross Profit Percentage
 - Overhead Expenses
 - Net Profit
- Balance Sheet items including a review of working capital and the business' debt position.
- Staff Review.
- Products/Services produced.
- Premises utilised.
- If a company - names of directors and company secretary.
- Names of professional advisers:
 - accountants
 - auditors
 - marketing consultants
 - insurance broker
 - banker
- Summary of Intellectual Property that has been developed.
- Summary of customers.

- Demographics of customers.
- Any other pertinent information associated with the present business operation.

For further information, refer to [Paper 021-001 - Review Of Business](#).

2. Business Description

- Include a full description of the business, highlighting name, location and purpose.

3. Business Goals

- Describe the goals you wish to achieve in your business. For further information refer to [Paper 021-004 - Business Objectives](#).

4. Products Or Services Mix

- Review each product or service produced by your business.
- Record the revenue being earned and the costs of earning that revenue.
- Highlight the products or services that are your primary business activities.
- List the product or services that you will sell as add-on to your primary sales areas, so as to gain additional revenue and profitability.
- List new product or services that you would like to introduce to the business over the life of the business plan.

For further information, refer to [Paper 021-008 - Products/Services - Supply Chain](#).

5. Market

- You will need to identify the total market for which your products are being produced. You should carry out market research to ascertain the size and growth of the market. For further information, refer to [Paper 021-009 - Industry and Market Research](#)

6. Competitors

- It is essential that you have intelligence on your competitors.
- As part of the business plan preparation, you should prepare a SWOT Analysis (Strengths Weaknesses, Opportunities and Threats) on your competitors.

- List the competitors and determine how you are going to compete with them.

How do you rate the competitors as compared to your business? For further information, refer to [Paper 021-013 - Competitors](#).

7. Marketing Strategy

After the completion of the review of the market and a review of your competitors, you should then be able to determine your marketing strategy. This should clearly identify the target segment within the market that you wish to attack, having regard to the intelligence that you have developed on your competitors and the demographics of present and potential customers.

You should ensure that the chosen target segment fits with your product mix. For further information, refer to [Paper 021-014 - Marketing](#).

8. SWOT Analysis (Strengths, Weaknesses, Opportunities And Threats)

You need to determine your own personal strengths and weaknesses and the strengths, weaknesses, opportunities and threats relating to the business. You should be attempting to maximise your strengths whilst acknowledging your weaknesses and developing strategies to overcome those perceived weaknesses.

This exercise will help you identify opportunities in the market place for which you may be able to develop strategies during the life of the business plan.

The process will also help in identifying potential threats, so that strategies can be prepared to enable you to effectively counteract those threats if they actually emerge. For further information, refer to [Paper 021-058 - SWOT Analysis](#).

9. Marketing Plan

A key section of every business plan is the marketing plan. The marketing plan is produced after having given consideration to the market, competitors, marketing strategy and SWOT analysis undertaken on your business and competitors.

In preparing a marketing plan, it is essential that due consideration is given to the four P's of marketing, i.e.:

- **P**roduct
- **P**rice
- **P**lacement
- **P**romotion

The marketing plan will be used to tailor your sales presentation so as to attract the target market segment that use or consume your product mix. For further information, refer to [Paper 021-014 - Marketing](#).

10. Promotion/Advertising Strategy

You will need to consider the media and/or other type of advertising and promotion required to ensure that you can adequately communicate with your target market. Your marketing plan should be utilised to maximise the level of sales.

11. Staff

No business can operate without an effective staff plan. Prepare a list of your present staff, including descriptions of the work performed.

Prepare a summary of individual staff members' strengths and weaknesses.

List the development activities that they should undertake during the life of the plan.

Prepare a summary of vacant staff positions, including a description of the type of persons required to fill those positions. Give consideration, as part of the overall development of the staff plan to:

- Staff Meetings
- Staff Communication
- Performance Reviews
- Performance Feedback
- Salary Reviews
- Promotion

For further information, refer to [Paper 021-030 - Human Resources](#).

12. Business Structure

Consider how your business is structured:

- Sole Trader
- Partnership
- Trust
- Company

Have you considered whether your corporate structure is the most appropriate for tax minimisation and your current and anticipated business operations?

What management structure is being utilised? Is it the most appropriate?

Prepare a corporate chart, listing details of responsibilities. For further information, refer to [Paper 021-045 - Business Structures](#).

13. Budget

After the preparation of the aforementioned sections of the business plan, it is then possible to prepare a budget on the likely financial performance over the period of the business plan. It is normal to prepare the budget on a detailed monthly basis for the first twelve months and then on an

in total basis annually.

The assumptions contained within the budget should be checked against previous financial data and the assumptions that have been made within the business plan.

The budget will give you an idea of the trend and seasonal fluctuations of both sales and expenses and will indicate the viability of the business in both the short and medium term. For further information, refer to [Paper 021-035 - Budgets/Cashflow Forecast Preparation](#).

14. Capital Expenditure

During the deliberations on the preparation of the business plan, consideration will have to be given to the capital expenditure that will need to be undertaken so as to enable the budget forecast to be achieved.

The business plan should contain a list of the capital expenditure required to be undertaken, including details of costs and the benefits from that expenditure.

15. Cashflow Forecast

Once the budget and capital expenditure forecasts have been completed, it will then be possible to prepare the Cashflow Forecast on a detailed monthly basis for the first twelve months and on an in total basis annually from there on.

The Cashflow Forecast should take into consideration the current trading terms for such items as debtors, creditors and wage payments. Consideration should also be given to seasonal trends, especially relative to sales and stock purchases, as well as to the arrangements that have been negotiated with Banks and Financiers relative to loan repayments.

Other matters to be considered in the Cashflow Forecasts include income tax payments, dividends or owners drawings, and capital expenditure. For further information, refer to [Paper 021-038 - Budgets/Cashflow Forecasts Monitoring](#).

16. Funding Requirements

The preparation of the Cashflow Forecast will highlight if there is going to be any need for additional funding contributions during the life of the business plan. This may have been caused through the expansion of the business, capital expenditure requirements and development of new markets etc.

Once you are satisfied that the assumptions contained within the Budget and Cashflow Forecasts are reasonable, arrangements can then be made to have discussions with your banker, financier or potential Investors, so that the funding shortfalls highlighted in the Cashflow Forecast can be effectively managed. For further information, refer to [Paper 021-040 - Business Funding](#).

17. Sensitivity Analysis

This is a 'what if' study to test your ability to react quickly to incidents affecting your business. Planned action from this analysis is a contingency plan that can be immediately put into affect when

economic decisions are required. It is much easier to start with some ideas on what to do, even if you reject some, or all, of your plan at the time.

Test as many of your sensitivity areas, both positive and negative, as possible and then prepare some action plans to take advantage of any good trends and to overcome adverse trends. Be creative in your thinking.

The sort of items to be considered in sensitivity analysis would be:

- What are the cashflow affects if sales increase by 25% and debtors outstanding increased from an average of 45 days to 65 days.
- Sales decrease by 20% and expenses increases by 9%, whilst the gross profit percentage decreases by 5%. What affect does this have on the business?
- If you have one or a closely related group of companies that are a key customer, what would happen if you lost their business? What would be the affect on sales, debtors, staff expenses and profitability of your business? What would you do?
- Could you profitably trade without that customer or group of customers? If so, for how long? How much time would you have before you had to have replacement customers?
- Does this mean that specific strategies should be produced to enable better servicing or closer monitoring of all aspects of the trade with that customer or group of customers?
- Think in depth of the consequences of the loss of trade of that particular group of customers and what you would do if it occurred. Write down the strategies. Determine policies to attempt to prevent this type of problem occurring.

For further information, refer to [Paper 021-056 - Sensitivity Analysis](#).

18. Contingency Plan

Give consideration to major events that could cause problems in the business, including:

- The death or serious illness or accident of a key employee.
- Major competitor setting up in opposition.
- Loss of a major customer or group of customers.
- Family/succession problems.

For further information, refer to [Paper 021-055 - Risk Management/Contingency Plan](#).

19. Action Plan

One of the key documents within the business plan is the action plan. This is normally produced as the second last function in relation to the preparation of the business plan. It includes a detailed list of all work to be completed as listed within the business plan.

An allocation is then made as to who is going to attend to that work and its production deadline.

The action plan should be reviewed on a periodic basis e.g. monthly, to ascertain progress on the implementation of the items contained within the action plan.

20. Key Performance Indicators

In this section, a summary is produced highlighting the Key Performance Indicators as contained within the business plan. This would normally include such items as:

- Sales (on a departmentalised basis)
- Gross Profit
- Gross Profit Percentage
- Expenses
- Net Profit
- Key performance measures, including:
 - number of staff
 - sales per staff
 - net profit per staff
 - other items that relate to the specific requirements of the particular business.

For further information, refer to [Paper 006-073 - Introduction To Key Performance Indicators For SMEs \(Small/Medium Enterprises\)](#).

21. Executive Summary

This is the last section produced within the business plan. It is normally a one to three page précis of the contents of the business plan and is placed at the beginning, highlighting all of the key aspects of information contained within the business plan.

The executive summary should be presented in such a way as to attract the interest of the reader and to encourage him/her to read the entire business plan document.

AN IMPORTANT MESSAGE

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